

Amendments to Senate Bill No. 174
1st Reading Copy

Entitlement Share

For the Senate Taxation Committee

Prepared by Lee Heiman
March 20, 2007 (7:42am)

1. Title, line 20.

Following: "REVENUE;"

Insert: "AMENDING ENTITLEMENT SHARE PROVISIONS; AMENDING SCHOOL DISTRICT BLOCK GRANT PROVISIONS;"

2. Title, line 21.

Following: "15-1-102,"

Insert: "15-1-121,"

3. Title, line 22.

Following: "17-7-502,"

Insert: "20-9-630,"

4. Page 2, line 2.

Insert: "Section 2. Section 15-1-121, MCA, is amended to read:

"15-1-121. Entitlement share payment -- appropriation. (1)
As described in 15-1-120(3), each local government is entitled to an annual amount that is the replacement for revenue received by local governments for diminishment of property tax base and various earmarked fees and other revenue that, pursuant to Chapter 574, Laws of 2001, amended by section 4, Chapter 13, Special Laws of August 2002, and later enactments, was consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other revenue in the state treasury with each local government's share provided by direct payment from the state treasury rather than the ad hoc system that offset certain state payments with local government collections because of state percentage splits, with local governments remitting a portion of collections to the state, retaining a portion, and, in some cases, remitting other portions to other local governments. The amount calculated pursuant to this subsection, as adjusted pursuant to subsection (3)(a)(i), is each local government's base entitlement share. The department shall estimate the total amount of revenue that each local government received from the following sources for the fiscal year ending June 30, 2001:

— (a) personal property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999;

— (b) vehicle, boat, and aircraft taxes and fees pursuant to:

— (i) Title 23, chapter 2, part 5;

~~(ii) Title 23, chapter 2, part 6;~~
~~(iii) Title 23, chapter 2, part 8;~~
~~(iv) 61-3-317;~~
~~(v) 61-3-321;~~
~~(vi) Title 61, chapter 3, part 5, except for 61-3-509(3), as that subsection read prior to the amendment of 61-3-509 in 2001;~~
~~(vii) Title 61, chapter 3, part 7;~~
~~(viii) 5% of the fees collected under 61-10-122;~~
~~(ix) 61-10-130;~~
~~(x) 61-10-148; and~~
~~(xi) 67-3-205;~~
~~(c) gaming revenue pursuant to Title 23, chapter 5, part 6, except for the permit fee in 23-5-612(2)(a);~~
~~(d) district court fees pursuant to:~~
~~(i) 25-1-201, except those fees in 25-1-201(1)(d), (1)(g), and (1)(j);~~
~~(ii) 25-1-202;~~
~~(iii) 25-1-1103;~~
~~(iv) 25-9-506; and~~
~~(v) 27-9-103;~~
~~(e) certificate of title fees for manufactured homes pursuant to 15-1-116;~~
~~(f) financial institution taxes collected pursuant to the former provisions of Title 15, chapter 31, part 7;~~
~~(g) all beer, liquor, and wine taxes pursuant to:~~
~~(i) 16-1-404;~~
~~(ii) 16-1-406; and~~
~~(iii) 16-1-411;~~
~~(h) late filing fees pursuant to 61-3-220;~~
~~(i) title and registration fees pursuant to 61-3-203;~~
~~(j) veterans' cemetery license plate fees pursuant to 61-3-459;~~
~~(k) county personalized license plate fees pursuant to 61-3-406;~~
~~(l) special mobile equipment fees pursuant to 61-3-431;~~
~~(m) single movement permit fees pursuant to 61-4-310;~~
~~(n) state aeronautics fees pursuant to 67-3-101; and~~
~~(o) department of natural resources and conservation payments in lieu of taxes pursuant to Title 77, chapter 1, part 5.~~

~~(2) (a) From the amounts estimated in subsection (1) for each county government, the department shall deduct fiscal year 2001 county government expenditures for district courts, less reimbursements for district court expenses, and fiscal year 2001 county government expenditures for public welfare programs to be assumed by the state in fiscal year 2002.~~

~~(b)(2) The total amount estimated pursuant to subsections (1) and (2)(a) received in fiscal year 2007 as an entitlement share payment under this section is the base component for the fiscal year 2008 distribution, and in each subsequent year, the~~

entitlement share payment, including any reimbursement payments received pursuant to subsection (6), is each local government's base year component. The sum of all local governments' base year components is the base fiscal year entitlement share pool. For the purpose of calculating the sum of all local governments' base year components, the base year component for a local government may not be less than zero.

(3) (a) The base year entitlement share pool must be increased annually by a growth rate as provided for in this subsection (3). The amount determined through the application of annual growth rates is the entitlement share pool for each fiscal year. By October 1 of each even-numbered year, the department shall calculate the growth rate of the entitlement share pool for each year of the next biennium in the following manner:

~~(i) Before applying the growth rate for fiscal year 2007 to determine the fiscal year 2007 entitlement share payments, the department shall subtract from the fiscal year 2006 entitlement share payments the following amounts:~~

Beaverhead	\$6,972
Big Horn	\$52,551
Blaine	\$13,625
Broadwater	\$2,564
Carbon	\$11,537
Carter	\$407
Cascade	\$157,151
Chouteau	\$3,536
Custer	\$7,011
Daniels	\$143
Dawson	\$3,893
Fallon	\$1,803
Fergus	\$9,324
Flathead	\$33,655
Gallatin	\$222,029
Garfield	\$91
Glacier	\$3,035
Golden Valley	\$2,282
Granite	\$4,554
Hill	\$31,740
Jefferson	\$5,700
Judith Basin	\$1,487
Lake	\$38,314
Lewis and Clark	\$247,886
Liberty	\$152
Lincoln	\$3,759
Madison	\$8,805
McCone	\$1,651
Meagher	\$2,722
Mineral	\$2,361
Missoula	\$172,600
Musselshell	\$23,275

Park \$6,582
 Petroleum \$36
 Phillips \$653
 Pondera \$10,270
 Powder River \$848
 Powell \$5,146
 Prairie \$717
 Ravalli \$93,090
 Richland \$3,833
 Roosevelt \$9,526
 Rosebud \$19,971
 Sanders \$30,712
 Sheridan \$271
 Stillwater \$12,117
 Sweet Grass \$2,463
 Teton \$5,560
 Toole \$7,113
 Treasure \$54
 Valley \$6,899
 Wheatland \$918
 Wibaux \$72
 Yellowstone \$266,644
 Anaconda-Deer Lodge \$20,707
 Butte-Silver Bow \$53,057
 Alberton \$675
 Bainville \$258
 Baker \$2,828
 Bearcreek \$143
 Belgrade \$11,704
 Belt \$1,056
 Big Sandy \$1,130
 Big Timber \$2,910
 Billings \$163,499
 Boulder \$2,340
 Bozeman \$52,805
 Bridger \$1,303
 Broadus \$766
 Broadview \$258
 Brockton \$414
 Browning \$1,830
 Cascade \$1,374
 Chester \$1,430
 Chinook \$2,275
 Choteau \$3,050
 Circle \$1,018
 Clyde Park \$572
 Colstrip \$4,090
 Columbia Falls \$6,805
 Columbus \$3,245
 Conrad \$4,562

Culbertson	\$1,216
Cut Bank	\$5,316
Darby	\$1,348
Deer Lodge	\$5,708
Denton	\$503
Dillon	\$6,928
Dodson	\$194
Drummond	\$561
Dutton	\$661
East Helena	\$2,888
Ekalaka	\$689
Ennis	\$1,518
Eureka	\$1,733
Fairfield	\$1,120
Fairview	\$1,152
Flaxville	\$143
Forsyth	\$3,286
Fort Benton	\$2,579
Fort Peck	\$393
Froid	\$328
Fromberg	\$855
Geraldine	\$457
Glasgow	\$5,361
Glendive	\$8,099
Grass Range	\$254
Great Falls	\$96,422
Hamilton	\$7,148
Hardin	\$5,920
Harlem	\$1,422
Harlowton	\$1,678
Havre	\$16,223
Helena	\$45,877
Hingham	\$263
Hobson	\$397
Hot Springs	\$912
Hysham	\$482
Ismay	\$43
Joliet	\$1,006
Jordan	\$606
Judith Gap	\$263
Kalispell	\$28,144
Kevin	\$304
Laurel	\$10,804
Lavina	\$361
Lewistown	\$10,170
Libby	\$4,475
Lima	\$397
Livingston	\$12,145
Lodge Grass	\$889
Malta	\$3,389

Manhattan \$2,485
 Medicine Lake \$410
 Melstone \$234
 Miles City \$14,152
 Missoula \$104,264
 Moore \$319
 Nashua \$536
 Neihart \$149
 Opheim \$180
 Outlook \$125
 Philipsburg \$1,612
 Pinesdale \$1,413
 Plains \$2,007
 Plentywood \$3,185
 Plevna \$225
 Polson \$7,722
 Poplar \$1,544
 Red Lodge \$3,903
 Rexford \$263
 Richey \$309
 Ronan \$3,262
 Roundup \$3,280
 Ryegate \$465
 Saco \$354
 Scobey \$1,798
 Shelby \$5,677
 Sheridan \$1,150
 Sidney \$7,747
 Stanford \$737
 Stevensville \$3,063
 St. Ignatius \$1,367
 Sunburst \$709
 Superior \$1,521
 Terry \$1,011
 Thompson Falls \$2,272
 Three Forks \$3,130
 Townsend \$3,286
 Troy \$1,654
 Twin Bridges \$695
 Valier \$817
 Virginia City \$223
 Walkerville \$1,183
 West Yellowstone \$2,083
 Westby \$263
 White Sulphur Springs \$1,734
 Whitefish \$9,932
 Whitehall \$1,889
 Wibaux \$893
 Winifred \$259
 Winnett \$314

~~Wolf Point~~ ~~\$4,497~~

~~(ii)(i)~~ The department shall calculate the average annual growth rate of the Montana gross state product, as published by the bureau of economic analysis of the United States department of commerce, for the following periods:

(A) the last 4 calendar years for which the information has been published; and

(B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection ~~(3)(a)(ii)(A)~~ (3)(a)(i)(A).

~~(iii)(ii)~~ The department shall calculate the average annual growth rate of Montana personal income, as published by the bureau of economic analysis of the United States department of commerce, for the following periods:

(A) the last 4 calendar years for which the information has been published; and

(B) the 4 calendar years beginning with the year before the first year in the period referred to in subsection ~~(3)(a)(iii)(A)~~ (3)(a)(ii)(A).

(b) ~~(i)~~ The entitlement share pool growth rate for the first each year of the biennium must be the following percentage of the average of the growth rates calculated in subsections ~~(3)(a)(ii)(B)~~ (3)(a)(i)(B) and ~~(3)(a)(iii)(B)~~ (3)(a)(ii)(B):

~~(A)(i)~~ for counties, 54%;

~~(B)(ii)~~ for consolidated local governments, 62%; and

~~(C)(iii)~~ for incorporated cities and towns, 70%.

~~(ii)~~ The entitlement share pool growth rate for the second year of the biennium must be the following percentage of the average of the growth rates calculated in subsections ~~(3)(a)(ii)(A)~~ and ~~(3)(a)(iii)(A)~~:

~~(A)~~ for counties, 54%;

~~(B)~~ for consolidated local governments, 62%; and

~~(C)~~ for incorporated cities and towns, 70%.

(4) As used in this section, "local government" means a county, a consolidated local government, an incorporated city, and an incorporated town. A local government does not include a tax increment financing district provided for in subsection ~~(6)~~ (7). For purposes of calculating the base year component for a county or consolidated local government, the department shall include the revenue listed in subsection ~~(1)~~ for all special districts within the county or consolidated local government. The county or consolidated local government is responsible for making an allocation from the county's or consolidated local government's share of the entitlement share pool to each special district within the county or consolidated local government in a manner that reasonably reflects each special district's loss of revenue sources listed in subsection (1) for which reimbursement is provided in this section.

(5) (a) The entitlement share pools calculated in this section and the block grants provided for in subsection ~~(6)~~ (7)

are statutorily appropriated, as provided in 17-7-502, from the general fund to the department for distribution to local governments. ~~Each local government is entitled to a pro rata share of each year's entitlement share pool based on the local government's base component in relation to the base year entitlement share pool.~~ The distributions must be made on a quarterly basis.

(b) (i) The growth amount is the difference between the entitlement share pool in the current fiscal year and the entitlement share pool in the previous fiscal year. ~~For the purposes of subsection (5) (b) (ii) (A), a county with a negative base year component has a base year component of zero.~~ The growth factor in the entitlement share must be calculated separately for:

- (A) counties;
- (B) consolidated local governments; and
- (C) incorporated cities and towns.

(ii) In each fiscal year, the growth amount for counties must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each county's percentage of the base prior fiscal year entitlement share pool for all counties; and

(B) 50% of the growth amount must be allocated based upon the percentage that each county's population bears to the state population not residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iii) In each fiscal year, the growth amount for consolidated local governments must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each consolidated local government's percentage of the base prior fiscal year entitlement share pool for all consolidated local governments; and

(B) 50% of the growth amount must be allocated based upon the percentage that each consolidated local government's population bears to the state's total population residing within consolidated local governments as determined by the latest interim year population estimates from the Montana department of commerce as supplied by the United States bureau of the census.

(iv) In each fiscal year, the growth amount for incorporated cities and towns must be allocated as follows:

(A) 50% of the growth amount must be allocated based upon each incorporated city's or town's percentage of the base prior fiscal year entitlement share pool for all incorporated cities and towns; and

(B) 50% of the growth amount must be allocated based upon the percentage that each city's or town's population bears to the state's total population residing within incorporated cities and towns as determined by the latest interim year population

estimates from the Montana department of commerce as supplied by the United States bureau of the census.

~~(v) In each fiscal year, the amount of the entitlement share pool not represented by the growth amount is distributed to each local government in the same manner as the entitlement share pool was distributed in the prior fiscal year.~~

(6) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section, the department shall determine the reimbursement amount as provided in the enactment and add the appropriate amount to the entitlement share distribution under this section. The total entitlement share distributions, including distributions made pursuant to this subsection, in a fiscal year is the local fiscal year entitlement share pool. The ratio of each local government's distribution from the entitlement share pool must be recomputed to determine each local government's base component, and the new base component ratio must be used in the subsequent year's distribution determination.

~~(6)(7)~~ (a) If a tax increment financing district was not in existence during the fiscal year ending June 30, 2000, then the tax increment financing district is not entitled to any block grant. If a tax increment financing district referred to in subsection ~~(6)(b)~~ (7)(b) terminates, then the block grant provided for in subsection ~~(6)(b)~~ (7)(b) terminates.

(b) One-half of the payments provided for in this subsection ~~(6)(b)~~ (7)(b) must be made by November 30 and the other half by May 31 of each year. Subject to subsection ~~(6)(a)~~ (7)(b), the entitlement share for tax increment financing districts is as follows:

Cascade	Great Falls - downtown	\$468,966
Deer Lodge	TIF District 1	3,148
Deer Lodge	TIF District 2	3,126
Flathead	Kalispell - District 1	758,359
Flathead	Kalispell - District 2	5,153
Flathead	Kalispell - District 3	41,368
Flathead	Whitefish District	164,660
Gallatin	Bozeman - downtown	34,620
Lewis and Clark	Helena - 2	731,614
Missoula	Missoula - 1-1B & 1-1C	1,100,507
Missoula	Missoula - 4-1C	33,343
Silver Bow	Butte - uptown	283,801
Yellowstone	Billings	436,815

~~(7)(8)~~ The estimated base year entitlement share pool and any subsequent entitlement share pool for local governments do not include revenue received from countywide transportation block grants or from countywide retirement block grants.

~~(8) (a) If revenue that is included in the sources listed in subsections (1)(b) through (1)(c) is significantly reduced, except through legislative action, the department shall deduct the amount of revenue loss from the entitlement share pool~~

~~beginning in the succeeding fiscal year and the department shall work with local governments to propose legislation to adjust the entitlement share pool to reflect an allocation of the loss of revenue.~~

~~(b) For the purposes of subsection (8)(a), a significant reduction is a loss that causes the amount of revenue received in the current year to be less than 95% of the amount of revenue received in the base year.~~

(9) A three-fifths vote of each house is required to reduce the amount of the entitlement share calculated pursuant to subsections (1) through (3).

(10) When there has been an underpayment of a local government's share of the entitlement share pool, the department shall distribute the difference between the underpayment and the correct amount of the entitlement share. When there has been an overpayment of a local government's entitlement share, the local government shall remit the overpaid amount to the department.

(11) A local government may appeal the department's estimation of the base year component, the entitlement share pool growth rate, or a local government's allocation of the entitlement share pool, according to the uniform dispute review procedure in 15-1-211.

(12) A payment required pursuant to this section may not be offset by a debt owed to a state agency by a local government in accordance with Title 17, chapter 4, part 1."

{Internal References to 15-1-121:

15-1-120x

17-4-105x

17-7-502 a

77-1-504x}"

Renumber: subsequent sections

5. Page 25, line 28.

Insert: "Section 20. Section 20-9-630, MCA, is amended to read:

"20-9-630. School district block grants. (1) (a) The office of public instruction shall provide a block grant to each school district based on:

(i) the revenue received by each district in fiscal year 2001 from vehicle taxes and fees, corporate license taxes paid by financial institutions, aeronautics fees, state land payments in lieu of taxes, and property tax reimbursements pursuant to sections 167(1) through (5) and 169(6), Chapter 584, Laws of 1999; and

(ii) any reimbursement to be made to a school district pursuant to this section as provided in subsection (2).

(b) Block grants must be calculated using the electronic reporting system that is used by the office of public instruction and school districts. The electronic reporting system must be used to allocate the block grant amount into each district's budget as an anticipated revenue source by fund.

~~(c) With the exception of vehicle taxes and fees, the office of public instruction shall use the amount actually~~

~~received from the sources listed in subsection (1)(a) in fiscal year 2001 in its calculation of the block grant for fiscal year 2002 budgeting purposes. For vehicle taxes and fees, the office of public instruction shall use 93.4% of the amount actually received in fiscal year 2001 in calculating the block grant for fiscal year 2002.~~

~~(2) If the fiscal year 2003 appropriation provided in section 248(1), Chapter 574, Laws of 2001, is insufficient to fund the school district block grants in fiscal year 2003 at the fiscal year 2002 level, the office of public instruction shall prorate the block grants to meet the remaining appropriation. School districts shall anticipate the prorated block grant amounts provided by the office of public instruction in their budgets for fiscal year 2003.~~

(2) If the legislature enacts a reimbursement provision that is to be distributed pursuant to this section, the office of public instruction shall determine the reimbursement amount as provided in the enactment and add the appropriate amount to block grant distributions under this section. The total of reimbursement distributions made pursuant to this subsection in 1 fiscal year must be added to all other distributions to the school district in the fiscal year to determine the distribution for the subsequent fiscal year. The block grant percentage increases in subsections (4)(a) and (4)(c) do not apply to reimbursements made under this subsection for the fiscal year of the first reimbursement, but do apply to the block grant amounts in subsequent fiscal years that incorporate reimbursement added in previous fiscal years.

(3) Each year, 70% of each district's block grant must be distributed in November and 30% of each district's block grant must be distributed in May at the same time that guaranteed tax base aid is distributed.

(4) (a) The block grant for the district general fund is equal to the average amount received in fiscal years 2002 and 2003 by the district general fund from the block grants provided for in subsection (1). The block grant must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

(b) The block grant for the district transportation fund is equal to one-half of the average amount received in fiscal years 2002 and 2003 by the district transportation fund from the block grants provided for in subsection (1). The block grant must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

(c) (i) The combined fund block grant is equal to the average amount received in fiscal years 2002 and 2003 by the district tuition, bus depreciation reserve, building reserve, nonoperating, and adult education funds from the block grants provided for in subsection (1). The block grant must be increased by 0.76% in fiscal year 2004 and in each succeeding fiscal year.

(ii) The school district may deposit the combined fund block

grant into any budgeted fund of the district."

{ Internal References to 20-9-630:

20-9-141 20-10-144}"

Renumber: subsequent sections

- END -